



# **GRAND TRUNK RAILWAY COMPANY OF CANADA.**

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## **VERBATIM REPORT**

OF

### **THE PRESIDENT'S SPEECH**

AT THE

#### **ORDINARY GENERAL HALF-YEARLY MEETING OF THE COMPANY,**

HELD AT THE

**CITY TERMINUS HOTEL, CANNON STREET,  
LONDON, E.C.,**

*On Tuesday, April 26th, 1887,*

*IN PURSUANCE OF THE FOLLOWING ADVERTISEMENT:—*

Notice is hereby given, that the Ordinary General Half-Yearly Meeting of the Grand Trunk Railway Company of Canada will be held at the City Terminus Hotel, Cannon Street, London, E.C., on Tuesday, the 26th day of April, 1887, at Four o'clock p.m. precisely, for the purpose of receiving a Report from the Directors, for the election of Directors and Auditors, and for the transaction of other business of the Company.

And notice is also given that the Transfer Books of the Company will be Closed from Friday, the 1st, to Tuesday, the 26th day of April, both days inclusive.

By order,

H. W. TYLER, President.  
J. B. RENTON, Secretary.

Dashwood House, 9, New Broad Street,  
London, E.C., March 25, 1887.

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The SECRETARY (Mr. J. B. Renton) read the notice convening the meeting, and the report and statement of accounts were taken as read.

The CHAIRMAN, who was received with cheers, said: For the first time, ladies and gentlemen, since the spring meeting of 1884—that is, for the first time in three years—we may, I think, allow ourselves the pleasure of exchanging mutual congratulations on the improved position and prospects of our great system of railways. The report which we sent round to you some ten days ago, and which we are now met to discuss, I suppose we may take as read. It affords a full view of our progress and working, not only for the last half-year, and for the last year but for the last four years, comparing the last half-year and the last year with the three preceding half-years and years. In 1883 you will remember we

had exceeded what had previously been our most sanguine anticipations. In 1884 and 1885 we fell woefully behind-hand, in consequence, mainly, of the reckless competition of the American railways, and certainly from no fault whatever of our own. In the last half-year of 1885 we were, from that cause, at our worst. From March, 1886—and not until March, 1886—we began to improve, and now, in the latter half-year of 1886, which we are now met to consider, we have so far recovered our position that the report which we now have the honour to lay before you may be considered altogether satisfactory, except in one respect, and that is as regards the remuneration we receive for the work which we perform. It is satisfactory to find that the numbers of passengers and of tons of goods carried are greater than in previous half-years ; that the percentage of working expenses is less than in any previous years ; that our controlled and subsidiary lines are all improving ; and that the physical condition of our property is constantly being improved ; and all this in spite of that one great drawback to which I have referred—viz., the constantly diminishing rates and fares which compel us always to be doing more work for less proportionate remuneration. We have borne up bravely against increasing competition. We have done well in spite of the severe climate to which we have been constantly subjected ; but all our efforts at increased economy have so far been partially neutralised, because it has been impossible to obtain what we think and know to be a reasonable remuneration for the work

which we have performed. That is the tendency of competition. We are working for half the rates which we received a few years back. Now, I have before me a table of the ton-mileage carried and of the rates received on seven leading and representative railways of the United States for every year for twenty years—from 1865 to 1885. The quantity of tons moved one mile in 1865 was more than 1,600,000,000, and the average rate received was about 1½d. per ton. Coming to the next decade, 1875, the quantity of tons moved one mile on the same railways was between 5,000,000,000 and 6,000,000,000, and the average rate was five-eighths of a penny—rather more than a halfpenny per mile per ton. In 1885 the quantity moved was more than 11,000,000,000 of ton miles, and the rate received for it was only one-third of a penny; so that they and we also received about a quarter of the rate for the work done which they and we received in 1865, and about half of what they and we received in 1875. I suppose we may consider now, however, that we have pretty nearly reached the bottom as regards these rates, and that as we go on constantly increasing the business, as we have always been doing, so we may hope that the average rates may not materially decrease in future.

However, gentlemen, having regard to this continual decrease of rates and increase of work, it is a subject of great satisfaction, I think, to find that we have earned (as shown on the first page of the report) £640,000 of net revenue in the December half-year of 1886, against £427,000 in the

corresponding half-year of 1885, leaving an increase of no less than £213,000, or about 41 per cent. of net revenue for that one half-year. That is a tremendous fluctuation—an increase of profit of £213,000 in one half-year. Looking at it from another point of view, taking the increases of gross receipts under their several heads, there was an increase of passenger receipts of £77,000, and of freight receipts of £206,000, and of sundry other special and miscellaneous receipts of £19,000, making a total of £302,000. Deducting the increase of working expenses—namely, £89,000—which is small compared with the increase of receipts—that gives us also the increase of net revenue amounting to £213,000. From our £640,000 of total revenue we have, of course, to deduct the fixed charges of £418,000, which leaves £222,000 as the balance of net revenue.

Well, gentlemen, if that balance of net revenue had been free for division, then we should have been able to pay for the half-year our First Preference dividend in full, and half of our Second Preference dividend, with £8,000 to the good. (Cheers.) Unfortunately, we had arrears to meet to the extent of £116,000, which we have cleared off, as stated in paragraph 3 of the report. It is, of course, necessary to pay our debts and the liabilities of the past before we distribute anything to the shareholders, but it is satisfactory to remember, nevertheless, that the past half-year has honestly earned, taken by itself, a First Preference dividend in full, and the half of a Second Preference dividend, and £8,000 over. (Cheers.)

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quite on all fours with our goods traffic for the half-year. The passenger traffic of 1882 and 1883 was very good. We carried, in the December half-year, no less than 2,700,000 passengers in 1882, and 3,000,000 passengers in 1883; the numbers fell off in 1884 and 1885; but in 1886 we carried 3,125,000 passengers; but here, again, the receipts fell off, and were not so good, the amount being \$2,900,000 in 1886 against \$3,600,000 in 1883, for the reason that the average fares were lower. In 1882 we received 4s. 8½d. per passenger; in 1885, 3s. 10¾d. per passenger; and in 1886, 3s. 11¼d. The numbers of passengers carried in the past half-year were larger than in any half-year since the union, but the average fares were lower. However, it is hardly fair, perhaps, to compare 1886 with 1885, because, as we all know, the small-pox was prevalent in Montreal at that time and did a great deal of damage to our passenger traffic. At the same time, our excursion traffic has recently been more fully developed than ever before, and we are making every exertion to increase our passenger business. Passenger traffic is improving generally in America, and we may hope for better things from this source. We must, however, share it with our competitors. There is no doubt that in this, as in other respects, we have a strong competitor in the Canadian Pacific, and we must look that matter in the face. We cannot, unfortunately, reduce our train service as passenger traffic falls off. We are obliged to incur the same expense and perhaps even more expense, in competing with

other lines than when the passenger traffic is better. Hence the loss of that traffic is so much loss of net revenue. If we could only have had the fares of 1883 for the passenger traffic of 1886 we should have earned in the half-year no less than £169,000 more net profit from that source alone for the concern. However, the Inter-State Commerce Law—on which I shall have a few words to say presently—(hear, hear)—will, perhaps, help us somewhat in this respect, because it happily prescribes that there shall be no more commissions, and no more drawbacks, and no more rebates on passenger or freight business, and, therefore, I hope we shall get more profit out of our traffic in future. The immigration traffic has fallen off very much for the last two or three years, but it is rather increasing again. We have been led to believe from time to time that the Canadian Pacific would be a very severe competitor for that traffic. No doubt it would be so for the North - West, but the North - West is not everything in America. There is a considerable part of the Continent, south of the Canadian boundary, which we serve, and to which we shall always be taking immigrants ; and in a letter I received this morning I find Mr. Seargent says something which is very satisfactory in that respect. He says :—

“ We are getting a considerable number of European passengers ; the ‘Circassian’ and ‘Siberian,’ which recently arrived at Halifax, gave us 921 passengers for Ontario and points west of Chicago, while the Canadian Pacific had 66 for Ontario, and 197 or the North-West. The rest were for Quebec and the lower provinces.”

So that in this competition, which we have been led so much to dread, the latest fact is that out of 1,185 immigrant passengers in two ships we had 921, and the Canadian Pacific had 263.

Now, as regards our freight, the quantity has been continually increasing. In 1882 we carried 772,000,000 tons one mile; in 1883, 724,000,000; in 1884, 759,000,000; in 1885, 765,000,000; in 1886, 845,000,000; and the rate per ton per mile between 1882 and 1886, which was constantly altered, was very much better in 1883 than in any of the other years. It was .85 of a cent in 1883; in 1882 it was .75 cent; in 1886 it was only .73 cent; but that, again, is a considerable improvement over 1885, when the rate was .68 cent per ton per mile. The average distance the traffic was carried in all these years does not vary very materially. From this it will be seen that we carried 80,000,000 more tons one mile in 1886 than in 1885, and of these the increase of 50,000,000 was eastward and 30,000,000 was westward. The increase in the tons carried one mile in the through American traffic was 46,000,000 eastward, and in the local traffic was 22,000,000 westward. These are larger figures than in any previous half-year since the fusion. The average rates per ton per mile of 1883, on the freight traffic of 1886, would have produced, for the past half-year, an additional net profit of £198,000. I do not think, with all the competition that we may have to meet, whether from American or Canadian lines, that we have so much to fear as regards the volume

of our traffic. What we have mainly to fear is with regard to the rates at which we carry it, and I believe these have reached pretty nearly the lowest point at which it is worth the while of anybody to compete for the traffic.

As regards Canadian Pacific competition, I may mention, also, that the increases of our traffic at Montreal are—outward, 46,000 tons, and \$67,000; and inward, 19,000 tons, and \$89,000. There was also a small increase at Toronto; and, therefore, the Canadian Pacific would not appear to have done us as yet any great harm in that respect. At Portland, for European traffic, there was a slight decrease of exports of 9,000 tons, and \$19,000, while there was an increase in imports of 12,000 tons, and \$49,000. Since we sold the North Shore Railway to the Dominion Government for the Canadian Pacific Company there has not been any very serious loss according to our present experience, because the passenger traffic which we exchanged with the Inter-Colonial Railway was only \$500—that is £100—less in the half-year of 1886 than in that of 1885.

The lake and rail traffic I mentioned at the last half-yearly meeting as having shown an enormous increase, and that increase has been continued throughout the open season. There were carried by lake and rail through the ports of the St. Clair River, and Goderich, Midland, and Collingwood, 2,985,000 bushels of corn in 1885, against 5,545,000 in 1886; and of oats 476,000 bushels in 1885, against 1,475,000 in 1886; and I am happy to say that traffic promises to be very good this year, because there are

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—according to the latest accounts—some 23,000,000 bushels of grain of all sorts in the elevators at Chicago at the present time, as against 17,000,000 bushels this time last year. (Cheers.) We are, therefore, taking measures for increasing our elevator accommodation at various points—for instance, at Blackrock, near Buffalo, where an elevator has been completed, at Detroit, and Port Huron, on the St. Clair River; and we shall proceed with a new elevator at Point Edward, which was commenced some years ago, but which the contractors then failed to complete.

As regards our revenue expenditure, you will remember that the wages of all the employés of the company were paid in full from the 1st July, 1886, so that during the whole of the six months under review we have been working at an increased rate of salaries and wages as compared with the 5 per cent, and 10 per cent. reductions which were in force in the corresponding half-year. This forms the larger proportion of our increase of £89,000 in working expenses, but, as we have told you in the report, we spent on the road and rolling-stock £44,000 more than in the corresponding half-year. There is nevertheless a very satisfactory result to be observed on pages 50 and 51 of the report, where you will notice the details of the expenditure on revenue account for the various departments of the service—abstracts A to F; A is for maintenance and renewal of way, &c.; B, locomotive department; C, car department; D, traffic department; E, general charges; and F, miscellaneous expenses.

You will find by the percentages which are set out at the foot of each of those abstracts that the percentage of working expenses to gross receipts in 1886 was less in every instance than in 1885, in spite of the severe weather which we experienced in November and December.

I come now to the question of the future expenditure of capital. You are aware that for the last two or three years, while we have been going through a period of depression, we have kept down the capital expenditure to a very low point indeed. We thought, and you agreed with us, that it was not desirable during those times to spend any more money than we could possibly help, so long as we maintained the road and the rolling-stock in perfectly efficient order. But now the time has arrived when the question of doubling the line between Montreal and Toronto should come under consideration. (Hear, hear.) We propose, and we have been corresponding with Mr. Hickson on the subject, that during the present year we shall spend £100,000 on that work. Of course, we might ask you for a very large sum of money to enable us to proceed more rapidly in doubling the line, and we might let the work out by contract and so get it done in the course of the next two or three years. But I do not think that would be a wise course. We should be spending a very large amount of money without security as to getting immediately a sufficient return for it, and it might upset to some extent our financial arrangements. I rather think, and I hope you will agree with me, that the wiser course to

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pursue will be to go steadily on by degrees, spending a moderate sum every year, as we may find to be expedient, and in this way you really will not feel any undue burden from the expenditure. Now, there are many reasons why we should do this work. In the first place, the traffic is very heavy, and we should save delays which are now experienced in working it, and some pecuniary advantage may be derived, no doubt, from that source—I mean, by saving delays to trains. It will, moreover, enable freight trains to be run at higher speed, thereby doing more work with fewer engines and cars. We have had estimates made from the different departments to show what such a saving would amount to, and we find it would be considerable, though, of course, not sufficient to pay interest on the whole of the money required for doubling the line, which would amount to considerably more than the mere cost of the permanent way, which might at first sight be supposed to be the extent of the outlay required. It is not merely a question of laying down extra rails or making an extra bank by the side of the old one, but you have to widen bridges, to ease curves, to make all sorts of improvements, including station accommodation, which it is very desirable to carry out at the same time; and, taking all these matters into consideration, I do not think we shall get off ultimately with much less than £1,500,000 for doubling the whole line between Toronto and Montreal. Therefore, as I said, it is not wise to undertake such an expenditure all at once, and to put ourselves to inconvenience in doing it; but it would be better

to do it gradually, and in such a way that we shall not feel the effects of it. (Hear, hear.) Then, again, we are bound, having a great railway in that country, to carry on our business in a thoroughly satisfactory manner ; and we, therefore, entered into an engagement with the Canadian Government that of the extra capital which we are empowered to raise under the Act of 1884 one million is to be considered as ear-marked for that particular purpose. No time has been specified in which the work is to be carried out, but that money is to be devoted (whenever the work may be done) to the purpose of doubling the line. We propose, therefore, to spend £100,000 in the present year, in doubling part of the line in the neighbourhood of Montreal, a small portion in the neighbourhood of Toronto ; and a further portion in the central part of the line between Montreal and Toronto ; and we shall go on with that work, doubling those parts which are most required, and which can be done in the cheapest way, and so get the greatest benefit from the money which we spend as rapidly as possible. (Cheers.)

Well, then, there are other matters for which money is required. We want more wagons for our coal supply. When we depend upon other companies' wagons we cannot get our coal supply so regularly as if we had a sufficient number of coal wagons of our own. The coal traffic is in a great measure new, inasmuch as we are now burning coal almost entirely over our system in place of wood ; and it would, further, be wise, for the sake of obtaining more traffic, to supply flat cars for lumber and

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traffic of that description. Probably, we might, with advantage, spend another £50,000 on cars. Then we are going on with the new Montreal Station. We have had the foundations put in during the winter, and we shall do what we can in proceeding with the work during the present season. We are also going on with the Great Western bridges, rebuilding them with better materials, and making structures of stone and iron in place of wood. That work has been proceeding satisfactorily, and if we do as much as we intend in the present year the Bridge Renewal Account will have arrived at a maximum at the end of the present year. I think, therefore, we may spend, with your permission, something like £200,000 in the present year upon works such as those I have referred to. You may ask me, How are you going to raise this money ? (Hear, hear.) Well, fortunately, in our present position there is no difficulty about raising £200,000 or any other sum that we may require (Hear, hear.) Our finances are in such a condition that we have, as I have often told you, securities representing more than £1,000,000, which I have previously referred to as our financial reserve. We could either sell debenture stock, or we could raise the required amount in other ways. We do not, however, want to raise it at this moment, but only gradually, as we may require to expend it. (Cheers.)

Now, as regards the Chicago and Grand Trunk Railway, that railway has been doing much better of late ; but, as regards the last half-year of 1886, we carried rather less tonnage upon it than we did in the

corresponding half-year of 1885, because the rates were so very low in 1885 that the traffic was thereby much stimulated. However, the most satisfactory feature about the Chicago and Grand Trunk is that whatever the amount of traffic carried from 1881, when it was opened, the proportion of receipts derived by the Grand Trunk from traffic interchanged with that railway has continuously increased. It has increased from \$519,000 in the December half-year of 1881 to \$1,000,000 in 1884, and \$1,206,000 in 1886; and this means an enormous advantage to the Grand Trunk Railway from the Chicago and Grand Trunk system. We have had, even in the past half-year, to provide for arrears incurred in the preceding half-year by the Chicago and Grand Trunk. We have given you the figures in the report, from which you will see that, although nominally the Chicago and Grand Trunk has been a loss to us in 1886, yet in reality, taking into account the net profit we have received on the parent system from the traffic exchanged with the Chicago and Grand Trunk, it has been a great gain to us. I only hope that the increased receipts which we have been receiving during the past few weeks will continue, as we shall certainly then have no more of even nominal debt to pay back to the Chicago and Grand Trunk Railway. (Cheers.)

Our ally, the Vermont Central Railway, has been doing very much better of late. The interest on the bonds which we hold in that line and on a small amount of notes has been paid regularly, and the results of operating that system were satisfactory in

1886. The reorganisation of its affairs has been nearly completed. It has been many years on hand, but, fortunately, it is now nearly completed, and it will very soon be practicable to have all its accounts set out in clear and concise statements.

I would now say one or two words about the St. Clair Tunnel. You will remember that I mentioned to you at the last meeting that we were about to commence a tunnel to connect the Great Western Sarnia Branch on the east with the Chicago and Grand Trunk Railway on the west. The line connecting these two railways will pass under the St. Clair River, and will be altogether about two and three-quarter miles in length. The actual tunnel under the river will be about 770 yards long, and, including the underground portion of the approaches on each side, about one mile long, with a gradient on each approach of one in fifty. We have sunk two shafts, one on each side of the river, these shafts being each about 80 ft. deep and 16 ft. by 8 ft. in dimensions; and from those shafts we have been making a driftway, to connect them, 6 ft. in diameter. The shafts have been sunk with the most perfect success, in clay all the way. One of the shafts was found to be a little wet near the top as it was being sunk, but timber was put in and measures taken to keep the surface water out, and the work to the bottom of the shaft was completed in the most perfect manner. We then began to bore the driftway through from one shaft to the other. On the Port Huron side, that is the west side, we had not

got very far before we found soft clay oozing out, and that stopped the work for the time. On the Canadian side we had gone about 70 yards with the driftway, and were hoping to do well, when we came across some soft clay on that side also; and, although the reports by post have been favourable, we have heard by telegraph that unfortunately the gas from below has been tapped. At the point where the gas escaped some water and soft clay also came into the shaft, and there is now water 12 ft. deep in the bottom of the shaft. However, there is this satisfactory feature about it, that the water does not appear to be connected with the river, because it remains at the same level, although it is 27 ft. below the level of the water in the river. Therefore, instead of proceeding, as we hoped to do, safe from the gas below and from the water above, through hard clay all the way, having reached this soft clay, the contractor will be obliged to adopt the system of employing an iron head in front of the work, and pushing it through until he finds solid clay again, and this, no doubt, will add to the expense. Well, the contractor has undertaken, under penalty, to do the work for £12,000, and I think you will say we were wise in not trying to do it ourselves, but in letting it to a contractor to do it. This is a very important work, and whatever happens we shall leave no stone unturned—well, there are no stones in it; but we shall leave no clay unturned—(laughter)—to push it through and make it a success. (Cheers.)

Another question about which I have no doubt

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you will wish to hear is that of the Ontario and Sault Ste. Marie Railway. We had a charter for that railway, as I explained to you, and that charter expired on the 4th March last. We made an application to the Ontario Parliament for its extension, and I understand that it has been extended for six years more. Well, the Canadian Pacific Railway have been extending their branch from Algoma Mills to the Sault, and, no doubt unintentionally, they had begun to take parts of and to cross our track in different directions, and so to lay out their line as to make it difficult, if not impossible, for us to construct our line hereafter. However, we went to the Courts, and obtained an injunction; and at length the matter was referred to Mr. Shanley, an eminent engineer in Canada; and, under his arbitration, an agreement has been made between the two companies, whereby the lines are to go on independently, and without interfering with one another. This line to the Sault Ste. Marie will, no doubt, some day be a very important one and, therefore, it is necessary for us to preserve the charter, and to be ready to make it when the proper time arrives. I do not think the time has yet come for actually considering the question of how we shall make the railway, although we shall not lose sight of it, but shall prepare for doing it; but, meanwhile, railways are being constructed to connect the Northern Pacific with the Sault, and to connect the Cities of St. Paul and Minneapolis with the Sault; and the bridge, also, is to be constructed at the Sault within

the next two or three years, if not before. Now, I think we have in all fairness a very strong claim upon the Government of Canada for assistance by way of subsidy in reaching the Sault, and also for assistance in enabling us to use a joint line with the Canadian Pacific for that section of the railway which may be common to both companies. (Hear, hear.) You will remember that the Government obliged us to sell the North Shore Railway to the Canadian Pacific. They have granted subsidies to the Canadian Pacific, in every direction, more or less competing with us, and I do not think it would be asking too much from the Government to give us substantial assistance in reaching the Sault. It would be for the benefit of Canada, and especially of Ontario, and you will understand that negotiations of that sort and of other descriptions have to be engaged in before we can seriously consider the question of prosecuting the actual construction of this railway. As regards the Sault Bridge, it is not to our advantage to expend money on its construction whilst our railway is something like 380 miles from it; but our partners, so to speak—those gentlemen who had charge of the American charter for the bridge—were anxious to proceed with it, and they entered into negotiation with us to ascertain whether we would join them in proceeding with it. If we had found half the money to make the bridge we should have had no advantage in doing so, further than to provide the bridge for the benefit equally of all who could use it. Now, our main interest in regard to the bridge is that when we construct a railway to it we

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may be able to use it. Therefore, we have made an agreement with the gentlemen holding the American charter to the effect that they should pay us £4,000—which they have paid to us—that they should ensure to us the right to use the bridge on the most favourable terms, and under the most favourable conditions of any company using it, and that if it is not constructed within two years that our right to the shares we have sold to them shall revert to us. Therefore, we have a little profit, and everything we could want with regard to that bridge. (Applause.)

There is one other matter I ought to mention to you, in regard to which I have heard exaggerated rumours. The Atchison Topeka and Santa Fé Railway is seeking an entrance into Chicago. This important railway system is connected with the Pacific in two directions, and is making a connection from Kansas City to Chicago, under the name of another road—the Chicago, Santa Fé and California Railroad. Well, the gentlemen who are connected with the Atchison Topeka and Santa Fé Railway have communicated with Mr. Hickson as to the terms on which they could be admitted to Chicago, and negotiations have been proceeding. They wish to run over part of our Chicago and Grand Trunk, to buy some of our State Street property in Chicago, and to make connections with us and with the Chicago and Western Indiana Railway, of which we are part owners. The negotiations are somewhat complicated, but joint action will, we anticipate, result to our mutual advantage. It will be a great advantage for the Grand Trunk to be directly

connected with a very extensive system running all the way to the Pacific. I cannot tell you the exact figures, and the advantage it will be to us in a pecuniary point of view, because the negotiations are not concluded. But, in order that you may not have any exaggerated ideas on the subject, I would just mention that the cash advantage to the Grand Trunk will probably, if an arrangement is carried out, be somewhere between £50,000 and £80,000. But when I say the Grand Trunk, I mean the companies we control in Chicago—the Chicago and Grand Trunk, and the Grand Trunk Junction Company; and we may acquire an annual payment by way of rental of something between £5,000 and £10,000 a year. I only mention it because I think it is right you should know exactly everything that is going on. I wish to be frank on all points as far as possible. (Applause.)

Now, as regards the Canadian Pacific, I have been asked to refer freely, at this meeting, to that railway, and to tell you exactly how they are going on, and how far they are competing with us, but I do not know a more difficult task. The Canadian Pacific are apparently intending to compete with us wherever they can acquire or construct a line to enable them to do so. They are finishing a bridge crossing the St. Lawrence at Lachine; they are connecting with certain railways to get towards Boston. They have brought out a prospectus, as you saw a few days ago, to make what is called "Pope's Line." The Canadian Government have subsidised them for twenty years, to carry this line right across the State.

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of Maine, through the territory of the United States, although it was understood that the Canadian Pacific Railway was to be made with the object of connecting Canadian ports through Canadian territory. Well, I have said already, and I can only repeat, as regards the Canadian Pacific and other competitors, that having regard to the position and influence of our own system, what we have to fear is not so much loss of traffic as reduced fares and rates. But, I do not think the Canadian Pacific Company will be in a position to reduce rates any more than we shall be. Up to the present time rates have been pretty well maintained between us, and I hope they will be so in the future, and then I, for one, shall not be much afraid of any competition they may bring to bear upon us. (Applause.)

Now, I must say one or two words about the Inter-State Commerce Law, an Act of Congress which came into force on April 5. I mentioned at a previous meeting that legislation of that description was contemplated. In fact, it has been for years in contemplation. I also said that I thought no legislation of the American Congress would ever do us so much harm, or anything like so much harm, as the suicidal competition which has at times prevailed amongst American railways; and that the American railways were far more dangerous to one another than any law which was likely to be enacted by Congress could be to those railways. Now, I suppose this law must be considered in the light of an American Coercion Act. We have heard a great deal

of Coercion Bills lately. For myself, I am not so much afraid of them as some people are. I believe that the law is a terror to evil-doers and not to those who do well. (Cheers.) And I consider that this Coercion Act is likely to do much good in America. American railways have not in all cases been celebrated for being managed on the very best principles for the interest of their shareholders or of the public. The presidents of those railways have not in every instance sacrificed their private interests for those of the shareholders. (Laughter.) I really rejoice to see that Congress has taken the matter up. I know that the Americans are a very law-abiding people. When a law comes into force, if there is a difficulty in working it, they are ready to adapt themselves to it. The facility of adaptation is wonderfully strong amongst them, and they will do their best to carry on their operations under the provisions of this new law, and any real difficulties that may be found to exist will be remedied by further legislation. I, therefore, look forward to protection in favour of the railway interest rather than injury from this species of legislation. (Applause.) Now, this Act, amongst other things, prohibits pooling. Well, I have told you often enough here that we could not profitably manage railways in America without some system of pooling the traffic, and that was undoubtedly the case until the present Act was passed. This Act provides that all Inter-State rates and fares shall be published, and that no undue favour or discrimination shall be exercised in

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the conduct of traffic. The rates and fares may be reduced, it is true, at an hour's notice, but they may not be again raised without ten days' notice—a provision which is calculated to have a deterrent effect. And then, again, there is the question of a clause about which volumes have been written, which is called, in short American expression, "The long and short haul clause," which provides that through or long-distance inter-state traffic shall not be carried at a lower rate than local or short-distance traffic. Now, that clause has given rise to an enormous amount of discussion. Every eminent man in America in the railway world has given his opinion upon it, as well as every eminent railway legal authority; and having read all these opinions, as far as they have come before me, I am quite unable to understand now what the effect of that clause will be in practice. And hardly anyone else appears to understand it, or hardly any two people to agree about it. It is not a long clause, and it may be interesting to you that I should read it. The clause is this:—

"That it shall be unlawful for any common carrier, subject to the provisions of this Act, to charge or receive any greater compensation in the aggregate for the transportation of passengers or of like kind of property under substantially similar circumstances and conditions, for a shorter than for a longer distance over the same line, in the same direction, the shorter being included within the longer distance ; but this shall not be construed as authorising any common carrier within the terms of this Act to charge and receive as great compensation for a shorter as for a longer distance ; provided, however, that upon application to the Commission appointed under the provisions of this Act, such common carrier may, in special cases, after investigation by the Commission, be authorised to charge less for

longer than for shorter distances for the transportation of passengers or property ; and the Commission may from time to time prescribe the extent to which said designated common carrier may be relieved from the operation of this section of this Act."

The President of the United States has, as provided by the Act, appointed the following five Commissioners, viz.:—Judge Thomas M. Cooley, Michigan ; Ex-Congressman W. R. Morrison, Illinois ; Ex-Attorney-General Schoonmaker, New York ; Colonel A. F. Walker, Vermont ; Ex-Railway Commissioner W. L. Bragg, Alabama. They are, I believe, thoroughly able, honest, and trustworthy men. They are to administer this law, and a very lively time they will have of it. As the only means of dealing with this long and short haul clause of the Act they are stated, meanwhile, to have cut the Gordian knot by suspending its operations in certain cases until they can see how on earth they are going to deal with it. They have, perhaps, rather strained the provisions of the law in doing so, but I believe they have acted very wisely, for it was far better to do this than to disorganise the traffic of the country. I have no doubt they may be trusted to deal with all the matters that may come before them under this Act in a perfectly just and reasonable and sensible manner, and that great good will result to the railways of America from their action. (Hear, hear.) As regards all the opinions and criticisms that have been written about this Act, and particularly about this clause, it reminds me very much of the story of the old lady who was presented by a curate with a volume of the "Pilgrim's Progress," with very extensive notes of his own

attached to it. The old lady was very much obliged to him. She said she could understand the "Pilgrim's Progress" pretty well, but she could not so easily understand the notes upon it. (Laughter.) Having regard to the great number of opinions given and interpretations put on this clause, it is really more difficult to understand many of them than to understand the clause itself. To give you an idea of how strongly it has been objected to by some American writers, I will just read you a thoroughly characteristic extract from the *New York Herald* on the subject. The *New York Herald* says:—

"It would be easy to fill columns of space with the monstrosities, preposterosities, and ludicrousness of this madhouse bill; but why particularise further the faults of a thing that is wholly faulty? Why continue to point out the individual follies and iniquities of a measure which is but a huge combined iniquity and folly? It will fail of enforcement because its enforcement is impossible, and the country is to be congratulated on the fact.

"It will, sooner or later, damn to a brief immortality of pigmy infamy every caricature on statesmanship who aided in its construction or passage, and may seriously interfere with the second term aspirations of the Chief Magistrate."

(Laughter and cheers.) Now, I think I have fairly given you both sides of the question. (Hear, hear.)

There is yet one other point, and one only, I think, on which you will desire some information, and that is the bill that we now have before the Canadian Legislature. That bill has two objects. One object is the conversion of securities of our controlled and subsidiary lines into our Four per Cent. Debenture stock—not, as has been stated, a new Four per Cent. Deben-

ture stock, but our existing Four per Cent. Debenture stock. And the other object is the transfer of property at Sarnia from the trustees, in whom it is nominally vested, to the company. I thoroughly explained it at the last meeting ; but, as there has been some misunderstanding on the subject, perhaps I may be allowed to repeat that we only propose to continue the process of converting securities bearing higher rates of interest into the Four per Cent. Debenture stock, which has been going on for a great number of years, and from which we have derived great advantages. Under the bill now prepared we shall derive still greater advantages, inasmuch as the saving on the conversions which we shall have power to carry out if this bill passes—as we have no doubt it will pass—will be quite sufficient to pay for the whole of the doubling of our line— $1\frac{1}{2}$  millions sterling—between Montreal and Toronto. (Loud cheers.) Now, I told you at the last meeting that we had already, before the union, saved—from the conversion of securities bearing a higher rate of interest into debenture stock bearing a lower rate of interest—no less than £34,000 a year. This was before the union. We have saved £9,000 a year in a similar manner since the union. We have powers existing for a further estimated saving of nearly £12,000 a year ; and, under the powers to be obtained now, we hope to save an additional £60,000 a year—(applause)—a total accomplished and to be accomplished of £115,000 a year. (Cheers.) Well, now, we have effected or are going

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to effect this large annual saving in this way. You know there are a number of our securities which carry 5 and 6 per cent. interest. They mature at various dates, from 1890 onwards, and as the periods of their maturity approach they naturally fall in price towards par value. Now, when our Perpetual Four per Cent. Debenture Stock reaches par—which I hope will be before long—you may form some idea of the saving that will arise from converting these Five or Six per Cent. securities into the above Four per Cent. Stock. Some gentlemen seem to have run away with the idea that we were going to propose a mode of conversion to be immediately carried out on a grand scale. If we attempted anything of the sort we should fail, and should not make the saving I have indicated. It is only by patient endurance in well-doing in this way that we can make this great saving. It is by continual waiting and watching, taking advantage of the opportunities that offer or acquiring the securities paying higher rates of interest by an exchange of Four per Cent. Debenture Stock, or otherwise, that we shall be enabled to accomplish the result I have indicated. And this process will go on for a series of years before we have completed all the saving contemplated. I hope I am clearly understood. Gentlemen must not expect to make their fortunes by buying up these securities and exchanging them on favourable terms, for we intend that the advantages to be derived from such exchanges shall be devoted to the benefit of the proprietors in the company. I do not know whether you would care to have the list of the securities

to be so dealt with, and scheduled for that purpose, read to you. Here is the list as attached to the bill. (Cries of "No, no.") The bill itself has not yet been printed. I have only got it in manuscript, in the form in which it has been prepared as the result of correspondence between ourselves and our officers and legal advisers in Canada. If you like I will read the list of securities that have to be dealt with. (Cries of "No, no.") Then I will send them round with a copy of my address (*vide Appendix*), and that will save you time. (Hear, hear.)

Well, gentlemen, I think I have now alluded to everything that you would wish me to refer to frankly and perhaps too fully. (Cries of "No, no.") I am afraid I have wearied you in doing so—("No, no") —but I have endeavoured to give you a true idea of the conditions and prospects of our undertaking. We must admit, as I said at the beginning, that to pay off arrears and liabilities—the result of misfortunes which were no fault of our own—is not the most satisfactory mode of appropriating our surplus income; but it is some satisfaction, at all events, to have been able honestly to pay our debts and to start clear for the future. (Cheers.) I think I may say now that the company is in the position of a man who, from very small beginnings, and wading through early struggles, has succeeded in getting together a thriving business, and has attained a very good position as the result of much industry and self-denial—who has then met with overwhelming misfortunes during a couple of years; but has

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"That the report and accounts for the half-year ended 31st December, 1886, this day submitted, be approved and adopted."

(Cheers.)

Mr. ROBERT GILLESPIE : I have very much pleasure in seconding that.

After some remarks from Mr. William Abbott and Mr. W. H. Gramshaw, which were replied to by the CHAIRMAN, the motion for the adoption of the report was put and agreed to unanimously.

Sir Henry W. Tyler, M.P., Sir Charles L. Young Bart., James Charles, Esq., and Major Dickson, M.P. were re-elected directors; and Messrs. Thomas Adams and Thomas Davidson were re-elected auditors.

Mr. WILLIAM ABBOTT proposed a vote of thanks to the president and directors, which, having been duly seconded, was put to the meeting, and carried unanimously.

The CHAIRMAN : We are very much obliged to Mr. Abbott and to you, gentlemen, for this kind vote of thanks you have accorded to us. I take the oppor-

tunity of thanking you for kindly re-electing us to the board to-day. I really hope that we have turned the corner now, and that we may show a very much better result this year than we have done in the past. (Cheers.)

The proceedings then terminated.

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